

## Leadway Assurance Company Limited

### Nigeria Insurance Analysis

October 2008

Security class	Rating scale	Currency	Rating	Rating watch	Expiry date
Claims paying ability	National	Naira	AA	No	07/2009

#### Financial data:

(US\$m Comparative)

	31/12/06	31/12/07
N/US\$ (avg)	132.4	128.6
N/US\$ (close)	134.0	120.0
Total assets	123.0	231.6
Total capital	70.3	152.1
Cash & equiv.	24.2	34.4
GPI	31.6	108.5
U/w result	1.0	0.4
NPAT	14.1	8.0
Op. cash flow	1.8	7.7
Market cap		n.a.
Market share**		12%

\*\* Based on general business GPI for year ended December 2006.

#### Fundamentals:

Leadway Assurance Company Limited ("Leadway") is a composite insurance company, with operations split into general business (92%) and life (8%) divisions. The insurer is 21% owned by Sir Hassan Olusola Odokale Trust, 19% by the International Finance Corporation and 8.6% by Leadway Trustees Limited. The remaining shareholders comprise various corporate and individual investors.

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#### Rating rationale

The rating is based on the following key factors:

- Leadway's strong market position as one of the leading non-life insurers in the Nigerian market. In addition, the company operates a sizeable life book.
- The significantly enhanced balance sheet size in F07 (relative to peers), and comfortable solvency measures.
- Notwithstanding the decrease in underwriting profitability in the non-life business for the past two years, the marked improvement in profitability for the 2008 year to date was noted.
- The insurer's sizeable investment portfolio and sound liquidity profile was considered. This notwithstanding, the equity investment portfolio displays significant concentration to a single counter. This is considered significant, in particular given global market volatility of late.
- The regulatory reforms bode well for growth prospects going forward, with Leadway being a particular beneficiary of the large oil & gas contracts.
- Leadway exhibits a comparatively higher claims ratio to its peers. Accordingly, the accurate pricing of risks is crucial so as not to undermine profitability.

#### Capital structure

Underpinned by N1.7bn in share issue proceeds, together with substantial unrealised investment gains, non-life shareholders funds rose to a 74% higher N12bn at year end F07. On a consolidated basis, capital amounted to a strong N18.3bn in F07. This is more than three times the level required under the new minimum capital requirement for composite insurers. Following robust growth in net premiums, Leadway's international solvency margin decreased slightly to 191% (F06: 194%), although remained sound. The insurer displays a sizeable investment portfolio, which has generated substantial unrealised investment gains in recent years, supportive of overall profitability. Liquidity remained comfortable, with the insurer reflecting a claims cash coverage ratio of 11 months in F07, compared to 13 months in F06. The balance sheet is protected by a comprehensive reinsurance programme (led by Swiss Re), which provides adequate support.



## Competitive environment

Historically, the Nigerian insurance industry was highly fragmented, with over 100 licensed participants operating in the general and composite arenas. However, in September 2005 insurance companies were mandated by the National Insurance Commission to increase their capital bases (with a deadline of February 2007), after it was perceived that the industry was not contributing adequately to national development as a result of low capacity. Respective life companies were required to increase their capital base to N2bn, non-life companies to N3bn (composite to N5bn), and reinsurance firms had to increase their capital bases to N10bn. At the conclusion of the recapitalisation exercise, 49 insurance and reinsurance companies emerged, with market capitalisation estimated to have grown to more than N200bn from around N30bn before the recapitalisation and consolidation exercise.

Prior to recapitalisation, the insurance industry lacked the capital to underwrite big risks, particularly in the oil & gas, marine and aviation sectors. The enhanced capacity in the market has positive implications for the financial stability of the industry. This is of particular importance given the mandatory requirement that companies utilise local insurers for a larger portion of their insurance requirements, as well as the extension of compulsory insurable risks. These include motor liability, fire cover for public buildings, contractors all risk insurance and the substantial marine cargo and oil & gas related insurable risks. In addition, the recapitalisation has facilitated listings on The Nigerian Stock Exchange ("NSE"), which will provide further impetus to marketability and growth going forward, as well as greater access to capital if required.

It is, however, noted that recapitalisation has put unprecedented pressure on companies to utilise the newly injected capital efficiently, implying a need to achieve sustainable growth and profitability. In this regard, insurance penetration remains very low in Nigeria, estimated at 0.5% for general business. This is ascribed to limited public awareness regarding the principles of insurance, as well as a widespread notion that Nigerian insurers are reluctant to settle claims. The relatively limited target market size has resulted in intensive competition amongst insurers, exacerbated by a lack of diversification in terms of product offerings. A further challenge is the dominance of brokers in the market, which has led to premium collection difficulties. In this regard, it is estimated that in some cases, the premiums receivable ratio (as a percentage of GPI) is as high as 50%. This has led to inefficient capital investment and dampened returns to shareholders.

Growth prospects nonetheless appear to be improving, as sustained economic growth has begun to feed through to diversified sectors of the economy. This has seen an increase in commercial investment in insured assets and enhanced individual wealth levels. Many companies have begun to position themselves to capture market share by restructuring their operations and investing in information technology, service improvements and employment and training initiatives. There has also been a move towards investing in alternative distribution channels and leveraging off bank relationships and cross-selling opportunities, which, despite large upfront costs, would serve to reduce reliance on brokers. In addition, at holding company level, insurance groups are beginning to diversify into other higher yielding financial services sectors, such as asset management, and are looking to expand internationally.

Despite a comparatively high delivery cost structure, the non-life market continues to be highly profitable, facilitated by the low loss ratios relative to other African countries. Cognisance is, however, taken of the low level of claims reserving in Nigeria, which makes meaningful comparison difficult and suggests that claims ratios may not be sustainable in the medium term.

Relative to its peers, Leadway's non-life business is one of the largest in the market, boasting N14bn in premiums and a large N12bn in capital. The insurer does, however, lag its peers in terms of underwriting performance, driven by its noticeably higher earned loss ratio.

	Leadway	Standard Alliance	Sovereign Trust	Custodian & Allied
GPI	13,953.3	2,120.1	2,487.8	2,714.8
NPI	6,305.0	1,914.5	2,017.7	2,232.6
Shareholders funds	12,014.8	6,338.5	3,477.8	4,575.6
Total assets	16,452.2	7,237.7	3,959.2	5,596.5
<b>Key ratios (%)</b>				
GPI growth	233.5	31.5	75.4	68.8
Retention	45.2	90.3	81.1	82.2
Earned loss ratio	43.2	10.4	22.7	27.3
Delivery cost ratio	56.0	67.3	62.8	52.4
U/w margin	0.8	22.3	14.5	20.3
Solvency	190.6	331.1	172.4	204.9
Cash cover (mnths)	11.1	3.3	26.7	38.1
Ave. debtors days	16.4	116.0	142.0	188.2

## Operations

### General business

General business dominates the insurer's overall book, representing 92% of GPI in F07 (F06: 86%). Leadway operates across most classes of short term insurance, with the bulk of business being secured from broker sales and premium distribution being well diversified therein (the 5 largest brokers represented 13% of total GPI in F07). The remainder of premium income is derived through agents and direct sales. The company is entertaining the idea of

extending its footprint outside of Nigeria, although this still requires a formal strategy.

The company is a relatively new beneficiary of the large oil & gas contracts (stemming from recent regulatory reforms), which witnessed a phenomenal jump in volumes in F07, albeit off a previously low base (class underwritten for the first time in F06). As such, a material shift in the composition of GPI was evidenced in F07, with oil & gas business contributing the majority at 54% (F06: 6%), compared to motor business previously. However, given the scale of risk insured in the oil & gas class it is heavily reinsured, and accordingly, accounted for just 7% of NPI in F07 (F06: 5%). Conversely, given that the motor book is largely retained, this class remained dominant at 37% of NPI (F06: 38%). Driven by the heavily reinsured oil & gas class, a sharp reduction in Leadway's overall risk retention levels was recorded in F07 to 45%, from levels of over 80% in each prior year of the review period.

by class (%)	GPI		NPI		Retention	
	F06	F07	F06	F07	F06	F07
Motor	33.7	17.0	38.3	37.1	96.5	98.4
Fire	19.4	7.5	15.5	13.2	67.5	79.7
General accident	20.5	9.6	21.1	20.6	87.2	97.6
Marine	10.1	6.5	10.3	11.0	86.7	75.7
Workmen's comp.	1.4	0.5	1.0	0.9	62.4	77.0
Bond	3.5	2.6	3.3	5.4	79.8	93.0
Engineering	5.7	2.4	5.2	4.6	77.6	85.0
Oil & gas	5.7	53.8	5.3	7.2	79.0	6.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>84.8</b>	<b>45.2</b>

The significantly higher earned loss ratio in the oil & gas account follows the rapid rise in premiums and the associated reserving required to cater for future potential claims. Despite this, and excluding the workmen's compensation book, all other classes displayed an improved earned loss ratio in F07. Overall, the company's loss ratio remained stable at 43% in F07, albeit well above the industry average, estimated at just below 30%.

Loss ratios (%)	Gross ratio*		Net ratio*		Earned ratio	
	F06	F07	F06	F07	F06	F07
Motor	44.2	39.7	43.2	38.8	47.3	44.9
Fire	46.4	23.9	33.3	6.5	52.7	39.2
General accident	33.9	35.3	38.2	35.0	43.0	41.7
Marine	31.6	28.1	27.0	16.5	32.0	25.6
Workmen's comp	58.9	26.6	61.6	21.5	23.5	71.1
Bond	19.9	0.1	18.9	(7.1)	24.6	6.9
Engineering	29.6	53.7	15.2	40.2	54.8	39.1
Oil & gas	6.5	0.3	8.3	6.8	8.3	104.6
<b>Total</b>	<b>34.7</b>	<b>15.4</b>	<b>35.0</b>	<b>26.3</b>	<b>43.0</b>	<b>43.2</b>

\*Before provisions.

The motor class continued to demonstrate strong profitability in F07, with a much higher underwriting profit of N825m recorded, contributing 34% of overall technical profits. Despite the increased earned loss ratio experienced in the oil & gas business, offset by large reinsurance commission inflows, this class posted a higher underwriting profit of N250m, from N141m in F06. Except for the workmen's compensation class, all other classes registered

improved profitability, which augmented the overall underwriting profit to N2.4bn in F07 (excluding unallocated expenses), more than double that recorded in F06.

by class	Comm ratio (%)		U/W result* (N'm)	
	F06	F07	F06	F07
Motor	23.5	18.0	362.1	824.5
Fire	26.2	22.9	109.0	302.8
General accident	28.4	22.9	205.4	413.0
Marine	27.1	26.8	141.7	281.5
Workmen's comp	24.5	15.1	19.3	4.7
Bond	47.0	18.7	27.7	238.3
Engineering	22.1	17.8	39.8	95.8
Oil & gas	15.1	(93.8)	140.9	249.7
<b>Total</b>	<b>25.5</b>	<b>13.4</b>	<b>1,045.9</b>	<b>2,410.4</b>

\*Excludes unallocated expenses.

### Life business

Underpinned by strong growth (65%) in group life business (under the compulsory insurance regime), total life business GPI increased by 65% to N1.2bn in F07. Accordingly, group life and pension business accounted for the majority of GPI at 80% in F07. In partnership with two banks in Nigeria, Leadway now also participates in bancassurance business to sell its retail products. The company's strategy going forward is to sell its traditional risk products through this relatively new sales channel.

	F06	F07
Individual life	19.5	19.6
Group life and pensions	80.5	80.4
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

The company also holds a large deposit administration book (gross premiums of N816m in F07), split evenly between segregated funds and minimum guaranteed funds.

### Reinsurance

International reinsurance companies, Swiss Re and Munich Re, take the lead on most of Leadway's non-life reinsurance treaties and also provide facultative reinsurance protection for its large property and casualty risk acceptances. Other reinsurers also include Africa Re, Nigeria Re, and Continental Re. In most instances, retention and capacity limits have increased on the 2008 reinsurance programme following the insurer's enlarged capital base. Leadway's largest net exposure is N300m, representing around 2.5% of year end F07 non-life capital.

	Retention	Capacity
<b>Surplus and QS treaties</b>		
Bond (QS 60:40)	90	150
Marine hull - surplus	12.5	62.5
Marine cargo - surplus	75	750
Fire - surplus	200	2,400
Engineering - surplus	100	1,200
<b>XOL</b>		
Fire single risk	300	500
Fire CAT	200	800
Marine cargo	150	300
Miscellaneous accident	20	70
Personal accident CAT	40	150

In line with the markedly lower retention levels for the year (having retained over 80% of all general business from F03 to F06), the insurer ceded a substantially higher N7.6bn to reinsurers in F07 from just N635m in F06. Accordingly, with claims recovered amounting to only 7% of premiums ceded (F06: 33%), Leadway ceded a substantial N6.6bn to reinsurers in F07.

	F05	F06	F07
Premium ceded	(502.3)	(634.9)	(7,648.3)
Claims recovered	183.4	209.9	497.9
Commission recovered	133.0	173.5	555.4
<b>Net transfer</b>	<b>(185.9)</b>	<b>(251.5)</b>	<b>(6,595.0)</b>

In terms of life business, a net retention of N7.5m applies to individual life, and N10m to group life.

### Asset management

	F06		F07	
	Life	General	Life	General
Short term deposits	1,388.1	1,295.9	1,303.5	1,991.5
Cash	200.6	357.1	411.2	427.7
<b>Total liquid investments</b>	<b>1,588.7</b>	<b>1,653.0</b>	<b>1,714.7</b>	<b>2,419.2</b>
<i>Listed securities</i>				
Debenture stock	0.8	1.3	0.0	1.3
Government bonds	70.0	120.0	140.0	120.0
Quoted shares	3,175.4	5,570.2	7,242.7	10,268.6
<b>Total at market value</b>	<b>3,246.2</b>	<b>5,691.5</b>	<b>7,382.7</b>	<b>10,389.9</b>
<i>Unlisted securities</i>				
Real estate	538.7	397.9	538.7	397.9
Unquoted shares	255.4	353.8	240.6	743.5
Inv. in sub & associated co's	372.6	155.4	453.8	167.4
Other loans	38.7	701.5	13.8	86.8
<b>Total at cost</b>	<b>1,205.4</b>	<b>1,608.6</b>	<b>1,246.9</b>	<b>1,395.6</b>
<b>Total investments at MV</b>	<b>6,040.3</b>	<b>8,953.1</b>	<b>10,344.3</b>	<b>14,204.7</b>

### General business

Notwithstanding the rise in liquid investments, as a proportion of total investments cash holdings totalled a slightly lower 17% in F07 (F06: 18%). The comparatively higher increase in claims incurred resulted in a further contraction of the claims cash coverage ratio, to 11 months from 13 months in F06.

Non-cash investments comprise the majority of the overall portfolio, with listed securities comprising the highest concentration therein. Quoted equities (which include unrealised investment gains of N3bn in F07) accounted for a significant proportion of the entire portfolio, at 72% in F07 (F06: 62%). Furthermore, note is taken of the significant exposure to one counter, First Bank of Nigeria Plc (accounting for nearly 80%). Following recent global market volatility and difficulties being experienced by many international banks, FBN's share price has lost around 50% as at October 2008 (relative to December 2007). Commencing from F09, Leadway plans to reallocate the investment portfolio to comprise a higher component of government security bonds in favour of equity securities. Unquoted shares include stakes in MTN Nigeria, African Finance Corporation and Virgin Nigeria Airways Ltd. The company's investments in subsidiaries and associated companies are shown below.

	Life	General
<i>Subsidiaries</i>		
Leadway Trustees Ltd (53%)	14.3	33.4
Leadway Hotels Ltd (51%)	100.0	50.0
Leadway Properties & Investments Ltd (100%)	-	2.0
<i>Associated co.</i>		
Leadway PFA Ltd (42%)	339.5	82.0

### Life business

Total life investments increased 71% to N10.3bn, and represented a relatively unchanged 42% of combined general and life investments. Similar to the general business, non-cash investments comprise the overwhelming majority of the total portfolio, with listed equities at a higher 70% in F07 (F06 53%). Moreover, listed equities generated sizeable unrealised investment gains of N3.8bn in F07. Cash holdings amounted to N1.7bn as at year end F07, or 17% of the total portfolio.

### Solvency and reserving

Effective January 1, 2007, the company acquired Atlantic Insurance Company Limited. The acquisition was settled for a cash amount of N266m, with the assets (N454m) and liabilities (N202m) transferred onto Leadway's books.

### General business

	F06	F07
<i>Opening bal.</i>	<i>4,097.3</i>	<i>6,890.3</i>
Retained income	1,030.3	225.9
Share capital issued (and premium)	490.0	1,701.7
Contingency reserve	106.4	189.2
Bonus issue reserve capitalised	(975.4)	-
Equity price revaluation reserve	2,141.6	3,007.7
<b>Closing bal.</b>	<b>6,890.3</b>	<b>12,014.8</b>

In an attempt to enhance its underwriting capacity and business profile (particularly internationally), Leadway sold a 19% stake to the International Finance Corporation in February 2007, which resulted in gross proceeds of N1.7bn. This, together with substantial unrealised investment gains bolstered shareholders funds to a 74% higher N12bn at year end F07. Against slightly higher growth in net premiums of 78%, the international solvency margin decreased to 191% (F06: 194%), although remains strong relative to international norms and its peers. Note is taken of the improvement in the debtors position of the company, with the collection period reported at a very low 16 days, following significant debtor write offs in F07.

Relative to the strong growth in NPI for the year, insurance funds dropped to a low 18%, from 24% previously, whilst the outstanding claims reserve ratio increased to 32% (F06: 29%).

### Life business

Driven by N3.8bn in unrealised investment gains, total shareholders interest amounted to a substantially higher N6.2bn in F07, from N2.5bn previously. The valuation balance sheet for the last two years is

shown below. The 2007 valuation disclosed a breakeven position.

	F06	F07
Life insurance fund	549.8	561.3
Net actuarial liabilities	(417.3)	(561.3)
Deposit administration fund	3,160.0	4,213.3
Deposit administration liability	(3,053.6)	(4,213.3)
<b>Surplus</b>	<b>238.9</b>	<b>0.0</b>

## Financial performance

A 5-year financial synopsis is reflected at the end of this report and brief comment follows hereafter. It is noted that the company implemented a change in financial statement reporting in F07, from the cash to accrual basis (F06 figures were not restated).

### General business

GPI in the general insurance division has increased in each year over the review period. With the new financial reporting, and on the back of the substantial jump in oil & gas business (special risks portfolio), GPI grew by a pronounced 234% to reach a high N14bn in F07. This far surpassed budgeted expectations. Retention levels, however, dropped noticeably to 45% (F06: 85%), as a result of the heavily reinsured large oil & gas contracts, thereby moderating growth in net premiums (78%) to N6.3bn in F07. Earned premiums were posted at a 72% higher N6bn (50% above budget).

	Actual	Budget	% of budget
<b>GPI</b>	<b>13,953.3</b>	<b>5,590.0</b>	<b>249.6</b>
NPI	6,305.0	4,571.8	137.9
<b>NPE</b>	<b>6,035.7</b>	<b>4,012.8</b>	<b>150.4</b>
Claims	(2,606.3)	(1,872.7)	139.2
Delivery costs	(3,381.9)	(1,871.6)	180.7
<b>Underwriting result</b>	<b>47.5</b>	<b>268.5</b>	<b>17.7</b>

Following a 72% rise in claims incurred for the year (on the back of increased business volumes), the loss ratio remained stable at 43% of earned premiums in F07. On the back of strong commission inflows from the oil & gas class, relative net commission payments saw a contraction to a review period low of 13%, from 26% in F06. Management expenses, however, increased sharply to N2.6bn, more than double that recorded in F06. This largely follows the inclusion of N1.1bn of bad debt write offs and provisions, relating to the change in accounting reporting. Accordingly, management expenses equated to a higher 43% of earned premiums in F07 (F06: 28%). As such, the underwriting profit decreased for the second consecutive year to N48m, compared to N131m in F06. This fell significantly short of budget of N269m, with the underwriting margin reported at a review period low of 0.8% (F06: 3.7%), versus budget of 6.7%.

### Life business

Gross premium income grew 65% in F07, to N1.1bn, which together with increased investment income of

N737m resulted in total income climbing to N1.8bn, albeit below budget of N2.6bn. Overall, income exceeded outgo by a higher N405m in F07 (F06: N107m), albeit well below budget. A surplus of N12m was transferred to the life fund in F07, with a N394m transfer made to shareholders.

	Actual	Budget	% of budget
<b>NPI</b>	<b>1,108.5</b>	<b>1,886.9</b>	<b>58.7</b>
Investment & other income	736.5	743.9	99.0
<b>Total income</b>	<b>1,845.0</b>	<b>2,630.8</b>	<b>70.1</b>
Claims	(531.3)	(906.7)	58.6
Net commissions	(168.5)	(215.8)	78.1
Management and other expenses	(740.1)	(565.4)	130.9
<b>Total outgo</b>	<b>(1,439.9)</b>	<b>(1,687.9)</b>	<b>85.3</b>
<b>Excess of income to outgo</b>	<b>405.1</b>	<b>942.9</b>	<b>43.0</b>

Overall, following a weaker underwriting performance in the general business, Leadway's net profit after tax was reported at a lower N1bn in F07, from N1.9bn in F06. Although it is noted that excluding the once off income earned of N1.3bn in F06 (from the sale of Celtel Nigeria shares) profits doubled. Overall profitability was significantly down for the year, with RoE equating to 7% (F06: 26%).

## Future prospects

The following table provides a summary of the YTD performance to July F08 to the F08 budget. A strong performance is expected in both the life and non-life businesses in F08.

	Budget F08	Actual July F08	% budget
<b>General business</b>			
GPI	19,427.6	13,374.9	68.8
NPI	8,674.7	6,163.1	71.0
<b>NPE</b>	<b>7,616.4</b>	<b>3,741.9</b>	<b>49.1</b>
Claims	(3,330.9)	(1,559.5)	46.8
Delivery costs	(3,425.9)	(1,496.4)	43.7
<b>Underwriting profit/(loss)</b>	<b>859.6</b>	<b>686.0</b>	<b>79.8</b>
Investment & other income	945.0	932.9	98.7
<b>Key ratios</b>			
Retention	44.7	46.1	-
Earned loss	43.7	41.7	-
Delivery cost	45.0	40.0	-
Shareholders funds / NPI	165.5	119.9	-
<b>Life business</b>			
<b>Budget F08</b>	<b>1,876.7</b>	<b>1,068.4</b>	<b>56.9</b>
NPI	1,876.7	1,068.4	56.9
Investment & other income	776.1	1,026.8	132.3
<b>Total income</b>	<b>2,652.8</b>	<b>2,095.2</b>	<b>79.0</b>
Claims	(694.7)	(345.3)	49.7
Total expenses	(793.9)	(449.3)	56.6
<b>Total outgo</b>	<b>(1,488.6)</b>	<b>(794.6)</b>	<b>53.4</b>
<b>Excess of income to outgo</b>	<b>1,164.2</b>	<b>1,300.6</b>	<b>111.7</b>

In terms of non-life business, the underwriting profit of N686m for the seven months to July F08 is well ahead of the N48m posted in F07, as well as the relative full year budget for F08. Strong net premium growth has, however, led to a contraction in the annualised international solvency margin, to 120% (F07: 191%), albeit still strong.

# Leadway Assurance Company Limited

(Naira Millions except as noted)

Year ended : 31 December

	2003	2004	2005	2006	2007
<b>GENERAL INSURANCE</b>					
<b>Revenue Statement</b>					
Gross premium income	2,346.0	2,911.8	3,214.4	4,184.3	13,953.3
Reinsurance premiums	(436.4)	(503.0)	(502.3)	(634.9)	(7,648.3)
<b>Net premium income (NPI)</b>	<b>1,909.6</b>	<b>2,408.8</b>	<b>2,712.1</b>	<b>3,549.4</b>	<b>6,305.0</b>
(Increase) / Decrease in insurance funds	156.3	(70.8)	(235.3)	(29.3)	(269.3)
<b>Net premiums earned</b>	<b>2,065.9</b>	<b>2,338.0</b>	<b>2,476.8</b>	<b>3,520.1</b>	<b>6,035.7</b>
Claims incurred	(995.6)	(884.5)	(817.1)	(1,515.0)	(2,606.3)
Commission	(487.9)	(585.7)	(589.7)	(899.2)	(809.8)
Management and other expenses**	(470.5)	(712.1)	(691.5)	(974.8)	(2,572.1)
<b>Underwriting profit / (loss)**</b>	<b>111.9</b>	<b>155.8</b>	<b>378.5</b>	<b>131.0</b>	<b>47.5</b>

## Balance Sheet

<b>Shareholders interest *</b>	<b>2,056.7</b>	<b>2,537.0</b>	<b>4,097.3</b>	<b>6,890.3</b>	<b>12,014.8</b>
Insurance funds (UPR from 2003)	506.9	577.7	813.0	842.4	1,111.7
Other liabilities	1,314.9	1,701.6	1,372.0	2,305.2	3,325.7
<b>Total capital &amp; liabilities</b>	<b>3,878.5</b>	<b>4,816.2</b>	<b>6,282.3</b>	<b>10,037.9</b>	<b>16,452.2</b>
Fixed assets	364.6	358.6	394.4	450.4	631.6
Investments *	2,772.1	3,706.0	4,237.0	7,300.1	11,785.6
Cash and short term deposits	442.3	435.0	1,076.8	1,653.0	2,419.2
Other current assets	299.5	316.7	574.0	634.4	1,615.9
<b>Total assets</b>	<b>3,878.5</b>	<b>4,816.2</b>	<b>6,282.3</b>	<b>10,037.9</b>	<b>16,452.2</b>

## LIFE ASSURANCE

### Revenue Statement

Gross premium income	558.2	963.3	348.0	702.5	1,161.2
Reinsurance premiums	(443.1)	(805.0)	(69.3)	(88.1)	(52.7)
<b>Net premiums received</b>	<b>115.1</b>	<b>158.3</b>	<b>278.7</b>	<b>614.4</b>	<b>1,108.5</b>
Other income	0.0	0.0	0.0	0.0	0.0
Investment income and realised profits	83.8	53.5	595.0	418.0	736.5
<b>Total income</b>	<b>198.9</b>	<b>211.8</b>	<b>873.7</b>	<b>1,032.4</b>	<b>1,845.0</b>
Claims paid and outstanding	(42.2)	(68.2)	(121.3)	(253.7)	(531.3)
Surrenders	(3.0)	(2.0)	(0.1)	(0.0)	0.0
Commissions	1.2	(33.1)	(37.1)	(83.1)	(168.5)
Management & other expenses	(84.7)	(87.1)	(91.1)	(200.9)	(229.1)
Tax	(2.3)	0.0	0.0	0.0	(57.8)
<b>Total outgo</b>	<b>(131.0)</b>	<b>(190.4)</b>	<b>(499.6)</b>	<b>(925.1)</b>	<b>(1,439.9)</b>
<b>Excess income : outgo</b>	<b>67.9</b>	<b>21.4</b>	<b>374.1</b>	<b>107.3</b>	<b>405.1</b>
Transfer(to)/from shareholders	(0.1)	(1.9)	(59.2)	(98.6)	(393.6)
<b>Life fund surplus / (deficit)</b>	<b>67.7</b>	<b>19.5</b>	<b>314.9</b>	<b>8.7</b>	<b>11.5</b>

## Balance Sheet

<b>Shareholders interest *</b>	<b>569.6</b>	<b>799.4</b>	<b>758.7</b>	<b>2,533.8</b>	<b>6,241.1</b>
Life fund	206.7	226.2	541.1	549.8	561.3
Deposit Administration liability	1,282.3	1,886.6	2,603.3	3,160.0	4,213.3
Other liabilities	15.2	48.5	103.0	205.0	320.9
<b>Total reserves and capital</b>	<b>2,073.8</b>	<b>2,960.7</b>	<b>4,006.0</b>	<b>6,448.7</b>	<b>11,336.6</b>
Fixed assets	47.1	44.2	40.0	57.4	166.7
Investments *	1,431.7	2,010.9	2,493.4	4,451.7	8,629.6
Cash and short term deposits	485.5	712.3	1,195.3	1,588.7	1,714.7
Other assets	109.6	193.3	277.3	350.9	825.6
<b>Total assets</b>	<b>2,073.8</b>	<b>2,960.7</b>	<b>4,006.0</b>	<b>6,448.7</b>	<b>11,336.6</b>

## Operating Ratios

### General business

GPI growth	%	27.0	24.1	10.4	30.2	233.5
Reinsurance premiums / GPI	%	18.6	17.3	15.6	15.2	54.8
Earned loss ratio	%	48.2	37.8	33.0	43.0	43.2
Commissions / Earned premiums	%	23.6	25.0	23.8	25.5	13.4
Management expenses / Earned premiums	%	22.8	30.5	27.9	27.7	42.6
Net outstanding claims/NPI	%	53.7	31.7	27.7	28.9	32.0
Net insurance funds/NPI	%	26.5	24.0	30.0	23.7	17.6
Underwriting result / Earned premium	%	5.4	6.7	15.3	3.7	0.8
Claims cash coverage	months	5.3	5.9	15.8	13.1	11.1
Debtors collection period	days	n.a.	26.1	36.9	34.4	16.4

### Life business

Net premium growth	%	72.4	37.5	76.0	120.4	80.4
Total outgo / Total income	%	65.9	89.9	57.2	89.6	78.0
Benefits paid / Total outgo	%	34.5	36.9	74.4	69.3	68.4
Commissions / NPI	%	(1.1)	20.9	13.3	13.5	15.2
Management expenses / NPI	%	73.6	55.0	32.7	32.7	20.7

\* Investments stated at market value

\*\*Underwriting result includes other management expenses

Note: The company implemented a change in financial statement reporting in F07, from the cash to accrual basis. Prior year figures not restated.

# Leadway Assurance Company Limited

(Naira in Millions except as noted)

Year ended : 31 December	2003	2004	2005	2006	2007	
<b>Profit and loss statement</b>						
Life business fee / (cost)	0.1	1.9	59.2	98.6	393.6	
Other transfers to / (from) shareholders	0.0	0.0	0.0	0.0	0.0	
Investment income	188.7	352.7	290.7	396.5	709.7	
Other income	46.8	0.2	828.1	1,341.6	0.0	
<b>Total income</b>	<b>235.7</b>	<b>354.9</b>	<b>1,178.1</b>	<b>1,836.7</b>	<b>1,103.3</b>	
Underwriting profit / (loss) on general business	111.9	155.8	378.5	131.0	47.5	
Other expenses	0.0	0.0	0.0	0.0	0.0	
Taxation	(41.1)	(64.4)	(86.0)	(104.7)	(123.3)	
<b>Net profit after tax</b>	<b>306.4</b>	<b>446.2</b>	<b>1,470.6</b>	<b>1,863.0</b>	<b>1,027.5</b>	
Dividends paid	(105.0)	(125.0)	(125.0)	(626.8)	(100.2)	
<b>Retained income</b>	<b>201.4</b>	<b>321.2</b>	<b>1,345.6</b>	<b>1,236.2</b>	<b>927.3</b>	
<b>Unrealised investment gains/(losses)*</b>	<b>1,806.6</b>	<b>393.5</b>	<b>(400.8)</b>	<b>3,323.8</b>	<b>6,768.5</b>	
<b>Consolidated Balance Sheet</b>						
<b>Shareholders interest *</b>	<b>2,626.2</b>	<b>3,336.4</b>	<b>4,856.0</b>	<b>9,424.1</b>	<b>18,255.9</b>	
Insurance funds (UPR from 2003)	506.9	577.7	813.0	842.4	1,111.7	
Life fund	206.7	226.2	541.1	549.8	561.3	
Deposit administration liability	1,282.3	1,886.6	2,603.3	3,160.0	4,213.3	
Other liabilities	1,330.0	1,750.0	1,474.9	2,510.3	3,646.6	
<b>Total capital &amp; liabilities</b>	<b>5,952.3</b>	<b>7,776.9</b>	<b>10,288.2</b>	<b>16,486.6</b>	<b>27,788.8</b>	
Fixed assets	411.7	402.8	434.4	507.7	798.3	
Investments*	4,203.7	5,716.9	6,730.4	11,751.8	20,415.2	
Cash and short term deposits	927.8	1,147.3	2,272.1	3,241.8	4,133.9	
Other current assets	409.1	510.0	851.3	985.3	2,441.5	
<b>Total assets</b>	<b>5,952.3</b>	<b>7,776.9</b>	<b>10,288.2</b>	<b>16,486.6</b>	<b>27,788.8</b>	
<b>Key Ratios</b>						
<b>Solvency</b>						
Shareholders funds / NPI (General)	%	107.7	105.3	151.1	194.1	190.6
Shareholders funds / Policyholder liabilities	%	368.0	415.0	358.6	676.9	1,091.2
Operating cash flow / NPI	%	47.8	7.8	24.2	15.9	13.9
<b>Investment returns - general business</b>						
Investment income / Average invested assets	%	14.5	20.3	(2.3)	52.2	64.6
<b>Investment returns - life business</b>						
Gross investment returns (total) / Average assets	%	7.6	2.1	17.1	8.0	8.3
Net investment returns (total) / Average assets	%	0.5	(2.6)	13.4	2.6	3.2
<b>Growth rates</b>						
Total Assets	%	95.5	30.7	32.3	60.2	68.6
Life fund	%	204.4	9.4	139.2	1.6	2.1
Insurance fund	%	(49.2)	14.0	40.7	3.6	32.0
<b>Profitability</b>						
ROE	%	19.9	15.0	35.9	26.1	7.4
Dividend cover	%	2.9	3.6	11.8	3.0	10.3

\* Investments stated at market value

\*\*Underwriting result includes other management expenses

Note: The company implemented a change in financial statement reporting in F07, from the cash to accrual basis. Prior year figures not restated.